

CHAPTER VIII

LAND AND RENT

THE term "land" possesses a double meaning. In its narrower sense it applies to the superficial area of the dry surface of the earth. In its wider sense it denotes all the matter and energies of nature external to man and unaltered by his activities, for the reason that man, being a land animal, can utilise nature's powers only from the dry surface of the globe. Air, rain, and sunshine, the elements of fertility contained in the soil, and the mineral treasures hidden below the soil ; the various manifestations of motion and gravitation, heat and electricity, chemical action and life, become accessible to man from this dry surface alone ; and though man has made himself master of the ocean and may soon obtain the mastery over the aerial regions as well, yet from the dry surface of the globe alone can he obtain the materials which enable him to navigate these alien spaces, and to it must he return, from time to time, in order to renew his power of navigating them.

This dry, superficial area, therefore, is the medium through which all nature becomes accessible to man, and as far as his efforts to utilise nature for the satisfaction of his wants are concerned, all nature is included in it. In its wider sense, therefore, the term land covers all the powers of nature which man may use for the satisfaction of his wants ; not merely that which gives him foothold and resting-place, but all the matter which he can form into wealth and all the energies which assist him in his efforts. It is the only source of wealth ; the passive

factor in its production, without the use of which no wealth can be made and human beings cannot exist ; the indispensable condition of life and of production.

The general condition through which any and all the opportunities for making wealth, the treasures of nature, become accessible to man, therefore, is through the use of some part of the dry surface of the earth. There is, however, another condition equally far-reaching in its consequence.

All material existence, and, therefore, all economic activity also is conditioned by space and time. Space and time, however, are concepts, not of things, but of the relation in which things stand to each other. Space is a relation of extension, *i.e.* of the relative position of things which exist simultaneously ; time is a relation of succession, *i.e.* of the relative position of things which follow upon each other.

Space, therefore, which has relation to all matter, also relates to wealth, which is matter modified by human exertion, and to this exertion. Every exertion, every form of production, requires space for its accomplishment ; space to stand upon ; more space to move in, and still more space for the extraction, storage, transformation, and transportation of materials, implements, and products. Occupations differ as to the space necessary for their most efficient conduct, but in every occupation there is a limit to the amount of exertion which, within a given space, will yield the most profitable return. Hence, natural law imposes upon man an extension of his labour in space, and this extension is limited by the area of the dry surface of the globe.

This dry surface, however, the land in the narrower sense of the term, does not everywhere give access to similar opportunities for making wealth. Land differs greatly in the elements of fertility which the soil contains, as well as in climatic conditions. Some areas give access to mineral treasures, while others do not, and even the former vary greatly with regard to the quantity and importance of the mineral deposits underlying them. Some areas, again, contain waterfalls and other opportunities

which facilitate production ; other areas are covered with much coveted timber or luscious grasses, while others, again, are arid, bare, or covered with worthless scrub or rock. The opportunities for making wealth, the gifts of nature to which land gives access, thus vary in infinitesimal gradation from what economically may be regarded as zero, to what bears the utmost potentiality of wealth.

There are, however, still further variations in the productivity of land, *i.e.* in the opportunity which it affords to satisfy wants through exertion, which have frequently been disregarded, though they are of equal importance with those already enumerated. In previous chapters it has been pointed out that exchange not only forms part and parcel of the productive process, but is the necessary condition for the existence of the world-wide co-operative system of production which has raised mankind above the level of savages. As co-operation through exchange supersedes the primitive form of isolated production, the qualities of land which offer facilities for exchanges assume importance and gradually increase in importance. Access to navigable streams, to harbours, lakes, and tide-waters ; proximity to fertile lands, mines, natural routes of trade, and centres of population ; proximity to artificial routes of transportation, as roads, canals, and railways, now confer potentialities of productiveness upon land which it previously did not possess.

These variations bring into prominence a consideration which otherwise would be of far less importance. As between two pieces of land, that one is obviously more productive which, to the same exertion, gives a greater return. It may, however, be, and frequently is the case, that of two pieces of land of equal productivity when a certain amount of exertion is applied to both alike, one will be more productive than the other if the amount of exertion is increased on both of them. To some extent this is true even in agriculture. A sandy soil may give the same or even a smaller return per unit of labour in wheat-growing than an equal area of clayey soil. But if both were used for fruit-growing, which requires a considerably greater application of labour and

capital per acre, the sandy soil might prove far more productive.

This consideration applies with greater force to mineral land. If no more exertion were applied to an acre of mineral land than to one of wheat-land, the return would probably be increased but little, if at all, and might be even less. When, however, a vastly greater amount of exertion in labour and capital is applied to the mine, such land may not only give a greater aggregate return, but may even give a much greater return per unit of exertion applied.

The most important manifestation of this condition, however, arises in our great exchanging centres—the manufacturing and trading cities. If no more labour were expended on an acre of land in the heart of a great city than on an acre of country land used for wheat-growing, the return would scarcely be greater. When, however, suitable and costly buildings are erected on the former, when thousands of workers and large amounts of capital are congregated within these buildings, then the productivity of such land is enormously greater than that of an equal area of country land, not only in the aggregate, but generally also per unit of exertion applied.

So far we have arrived at these conclusions. Land, *i.e.* the dry surface of the globe, differs in its productivity, *i.e.* in the opportunity which it affords for the satisfaction of human wants through exertion : (1) inasmuch as some land yields a greater return than other land to the same exertion ; (2) inasmuch as some land yields a greater net return than other land when more exertion is concentrated upon it.

Let us now consider the influence which these facts exert upon the distribution of wealth.

Seeking to satisfy their wants with the least exertion, all men will endeavour to obtain the use of such land as, according to existing knowledge, will yield the greatest return to their exertion. They cannot all be successful in this endeavour, because the extent of the most productive land is limited, and because, in every occupation, there is a limit to the amount of exertion which can be applied most

profitably within a given space. Some men, therefore, must use land of less than the greatest productiveness, other men must use still less productive land, until at last a wide difference in productiveness prevails between the most productive and the least productive land in use. So far, however, as the knowledge of men enables them to determine, the least productive land in use will still be more productive than the most productive land not yet used, for the reason, that all men seek to satisfy their wants with the least exertion. The least productive land in use, *i.e.* the land at the margin of production, must, however, fix the standard of the reward for human exertion, because it is a matter of indifference to any worker, whether he receives all the product of his labour when using land at the margin of production, or whether he receives the same amount when working on land of greater productiveness. If, for instance, the entire product of a man's exertion at the margin is 10s. a week, then, other things being equal, he will be willing to use the same exertion on land yielding 50s. a week, provided he himself receives no less than 10s. a week out of the same. The difference is rent, a payment made for the use of better natural opportunities than are available to all men. Taking from those who use more productive land the excess of its productiveness over that of land at the margin, rent equalises the natural opportunities for making wealth to all men.

On this consideration is based Ricardo's Law of Rent, which runs: "The rent of land is determined by the excess of its productivity over that which the same application can secure from the least productive land in use." In view of the considerations above advanced, it will be seen that the law thus formulated expresses only part of the truth. It excludes from consideration the advantages which arise from the massing of more exertion on suitable land. A true law of rent cannot be so limited, and the importance of extending it may be seen from the erroneous deductions to which this limitation has given rise. Ricardo, Mill, and their successors were in this way led to adopt the Malthusian doctrine, that increase of population,

compelling the use of inferior land, must reduce the average productivity of labour, and therefore must tend to produce misery and starvation. In the absence of any notice of the facts referred to, this was not an unnatural conclusion. When, however, these facts are included in the survey, the opposite result will be seen to arise. For with the increase of population there arises an increase in secondary production and exchanges, and these multiply at a greater ratio than population. Hence, more and more workers can be concentrated on land of the highest productivity, that which is most suitable for manufactures and exchanges, and where the productivity of the average unit of labour is greatest. Not only is the tendency of resorting to inferior land thus checked, but as more additional labour is employed on land of greatest productivity than is employed on land of inferior productivity, the aggregate product of all the labour is increased. Instead of increase of population leading to misery and starvation, it must, *caeteris paribus*, tend to an increase of comfort and plenty.

The distinction previously drawn is therefore of the utmost importance, and this consideration may excuse this digression from the strict line of argument. A law of rent, to be strictly true, must therefore be formulated as follows :—

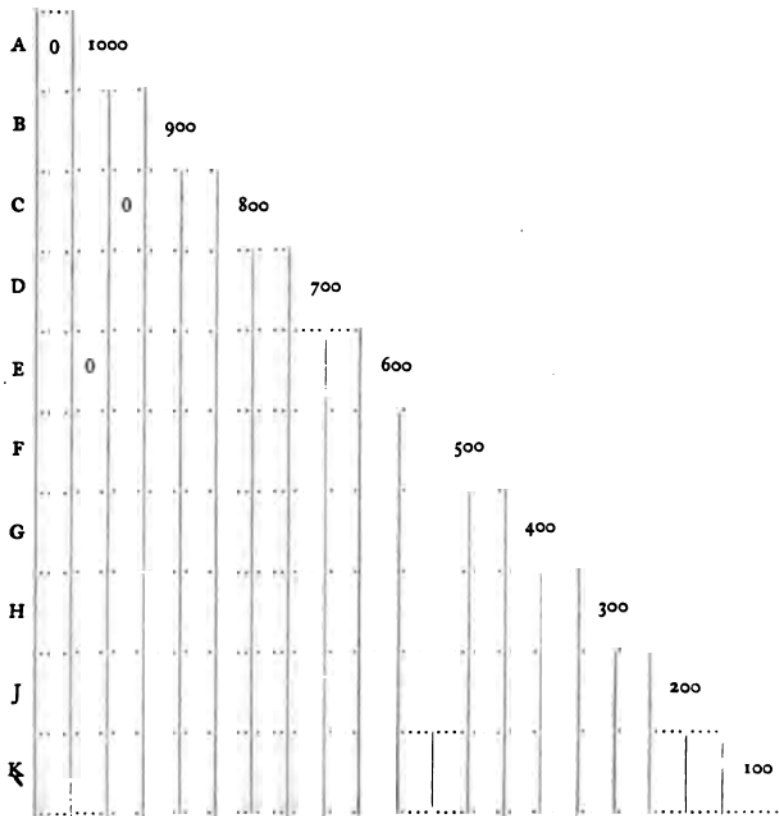
The rent of any piece of land is determined by the excess of its productivity over that of an equal area of the least productive land in use, after the sum of exertions which in both cases yield the most profitable result has been deducted.

So far land and the rent of land has been dealt with under natural conditions—that is, under conditions uninfluenced by men's temporary enactments ; and it will have been seen that rent is a natural result of the extension of men's labour in space, just as interest will be seen to be a natural result of the extension of their labour in time. But, just as when dealing with capital, attention had to be drawn to a mass of spurious capital and spurious interest, the result of mere legal enactments, so attention has now to be drawn to a spurious and additional rent, equally

resulting from mere legal enactment, *i.e.* from the private ownership of land and rent.

In order to make this important point clear, use will be made of the following diagram. The horizontal lines enclose land of the same productivity, while the perpendicular lines divide all the land into equal areas. The assumption, not absolutely true, is that as productivity declines area increases, but this assumption in no way falsifies the argument. The figures 1000 to 100 mark the original productivity of the land :—

DEGREES OF PRODUCTIVITY



As long as social requirements can be satisfied through the use of land A alone, there is no rent. As soon as any portion of land B must be used, rent arises. All of land A now acquires a rental value of 100 units, *i.e.* equal to the excess of its productiveness over what is now the marginal land B. When any of the land C has to be taken into use, B, in its turn, acquires a rental value of 100 units, and the rental value of A is correspondingly increased, *viz.* to 200 units. The use of any land of lower scale of productiveness gives a rental value to the land in the immediately superior scale, and correspondingly increases the rent of all the land which previously had any rental value. In contradistinction to this general rise of rent, there stands the partial rise of rental value which arises when additional productiveness is discovered in or conferred upon particular land. The discovery of new mineral deposits; the discovery of new methods for increasing the yield, or of treating more profitably, mineral deposits previously known; the discovery of methods, or the invention of machines, which increase the yield of special kinds of land or of their products; changes in trade routes; the rise or increase of trading centres; the extension of railways and other routes of communication and transportation,—all of these as well as other causes increase the value of particular land. In these cases the rental value of such land alone rises, without increasing the rental value of other land. That is to say, where rental value is conferred upon any land through a lowering of the margin of production, all rents rise correspondingly; but where new rental value is caused by advantages discovered in or conferred upon particular land, the rise in rental value is confined to such land.

If it is now assumed that if all the land above line G were fully used, the products of this land would suffice for the requirements of the people, the natural rent would be: For land A, 600 units; for B, 500 units; for C, 400 units; for D, 300 units; for E, 200 units; for F, 100 units; and land G, as well as all the land below it in the scale of productivity, would possess no rental value. If, however, the owners of the land keep any of the land

above line G out of use, say the lots marked o, two consequences follow.

The first is, that in order to satisfy the necessities of the community, some labour must be employed on less productive land, *i.e.* on land between G and H, and that, as a consequence, the produce of the aggregate labour of the community is lessened.

The second is, that out of this lower product of the aggregate labour a largely increased rent-charge must be paid. For some land of 300 units of productiveness being now used, land above G, of 400 units of productiveness, now acquires an annual rental value of 100 units, and the rental value of all the land of superior productiveness is correspondingly increased. In the case illustrated by the diagram the rent received by the owners, if all the land above line G had been fully used, would have been 11,100 units. By keeping out of use the three squares marked o, they increase the actual rent-charge to 14,900 units. This increase, amounting to 3800 units, is a spurious rent, as is also the increased rental value of the land kept out of use.

Moreover, where all the land has passed into private ownership, the self-interest of owners may, and frequently does, induce them to hold so much superior land out of use or full use, that some of the least productive land must be used unless the population declines. As under such conditions land is a complete monopoly, owners do not, as a rule, permit the use of any, even of the most inferior land, without some payment. As some men will now be compelled to use such land in order to live, they will be compelled to pay a rent for it. Natural rent is, under these conditions, superseded by rack-rent, *i.e.* rent at the margin: the least productive land available having no other limit than the smallest reward which labour can be compelled to accept, labour on all other land and in all occupations must accept similarly depressed wages. The rent for all other land, therefore, must rise accordingly, and the body of spurious rent which the workers must pay to the landowners is increased to enormous proportions. All this artificial addition to the natural rent is a

real deduction from the natural reward of individual labour.

Nor is it necessary that much land should be kept out of use in order to produce this result. All that need be done is to devote some considerable areas to inferior uses than those they are best fitted for. To do this may, and frequently does, confer an additional advantage upon the landowners at the expense of the whole community, and still further emphasises the conflict between the interests of the community and those of private landowners. Conditions, largely prevailing in the Australian colonies as well as in other new countries, will serve to illustrate this phase of the subject. In every one of these colonies millions of acres of the richest agricultural land, with ample rainfall and near to markets and ports of shipment, are used for mere grazing purposes. As a consequence most of the farmers were forced to settle on poorer land, further from markets and ports, and where the rainfall is less abundant. Land fit only for grazing is thus used for agriculture, while the land fittest for agriculture is used for grazing only. The latter would, under wheat, have given a gross return of say 35s. per acre, while as grazing land its gross return is only say 15s. per acre. Yet the net return to the owner may be, and frequently is, greater, where the gross return is smaller. For the cost of cultivating the land, *i.e.* wages, seed, implements, horses, etc., may absorb 30s. out of the 35s., while in grazing, where scarcely any labour is employed and all other expenses are small, these would absorb less than 5s. per acre. In the one case, therefore, the net profit would be 5s. out of a gross profit of 35s.; in the other it would be 10s. out of a gross profit of 15s., and, in addition, the trouble of management will be much smaller. The community, however, loses 20s. per acre, the difference in the gross return. For in either case the profit of the community is measured by the gross and not by the net return. The gross return represents new labour-products added to the common stock. Out of this new product the labourers employed in producing the materials and implements used on the land, as well as those directly employed on it,

defray their consumption. When the gross product is 35s., the added wealth is greater by 20s. than when it is 15s., and as long as the additional consumption does not exceed the value of the additional wealth, the permanent wellbeing of the community is increased to that extent. Hence, though the owner gains 5s. by the substitution of the less productive for the more productive process, the community loses 20s. worth of wellbeing. In addition, there is an enormous loss from the reduced productivity of the labour of those farmers who are compelled to cultivate land of less fertility and at greater distance from markets and ports. An even more graphic illustration of this condition is furnished by the wholesale clearances of Scottish and Irish land in order to make room for cattle, sheep, or deer, and the resulting misery of large numbers of the evicted tenants, and of the shopkeepers who supplied their wants.

Still another and far-reaching influence arises from private ownership of land. It has been shown that the natural function of rent is to equalise the natural opportunities available to men. Rent takes from those who use the better natural opportunities the excess of produce due to this advantage and reduces their earnings to that which equal exertion would gain on the least productive land in actual use. As no man can be entitled to the free use of more productive natural opportunities than other men can obtain, no man can be entitled to the surplus of produce, due, not to his greater exertion, but to the use of the more productive opportunity. Rent, *i.e.* natural rent, therefore, is not a deduction from individual labour-results, as many socialists assert. It is a deduction from the results of the labour of society as a whole. Just as no person is entitled to the free use of more productive natural opportunities, so no person can ethically be compelled to the uncompensated use of less productive opportunities. All men are entitled to the free use of average opportunities to labour. Those using opportunities more productive than the average, therefore, are morally bound to compensate those using opportunities of less productiveness than the average. The equalising mission of

rent, therefore, is not finished till it is either divided in equal shares among all those who have contributed to the result of the social labour, or till it is used for purposes from which all of them derive equal benefit. Spurious rent, on the other hand, is, as already stated, a deduction from the result of the individual labour of every worker.

When, however, land is private property, not only the spurious, but the natural rent as well, is appropriated by a few, the owners of land. The equalising tendency of rent still affects all workers, reducing their earnings to what equal skill and exertion can produce, or is allowed to retain, at the margin; but on the owners of land it has the opposite tendency. It concentrates into their hands the rent produced by the aggregate labour of the community, and adds this vast and ever-increasing sum to any earnings which they may derive from their own labour. Without having rendered and without rendering any service in return, they thus become the recipients of the social wealth represented by natural rent, and of the deduction from individual wealth represented by spurious rent. The equalising tendency of rent, therefore, stops short at the land-owning classes; below this line it reduces individual wealth, above this line it increases individual wealth. Instead of a tendency towards equalisation, there is thus introduced a twofold tendency towards differentiation, the results of which, supported by the secondary monopolies previously described, may be seen in the startling contrasts which disfigure our civilisation: on the one hand, multi-millionaires, receiving an amount of wealth vastly exceeding that which their labour contributes to the common stock, and frequently contributing nothing nor rendering any other service; on the other hand, a vast army of proletarians, who receive far less than their labour contributes, divided by a middle class vainly struggling to preserve its independence between these opposing forces.

Private ownership of land, therefore, deprives all workers of their equal share in the product of their common labour, the natural rent of land; it further creates a spurious rent which is a real deduction from the

product of individual labour, and it utterly nullifies the economic and ethical function of natural rent. That which under natural conditions would tend to produce a homogeneous society, strong through the agreement between public and private interests, then produces a society constantly becoming more strictly divided into two opposing classes, and threatened with destruction through the conflict between public and private interests, artificially introduced.

Secondary influences of private ownership of land and of other monopolies on the relation between employers and employed will be discussed in a subsequent chapter.